



NOMINET

Half year financial update

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

Message from the Chair

This is the first Nominet half year unaudited financial update, one of the measures we are taking to increase transparency for members.

We are sharing an overview of the company's performance in the first six months of the year, against a backdrop of change following the EGM. This led to strategic reviews and a new direction of travel. Throughout this period, the Nominet team has continued to focus on delivering an excellent service for members, registrants and customers.

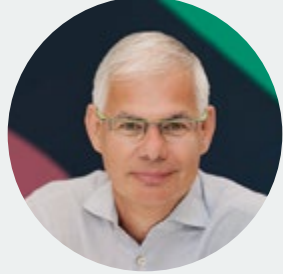
Overall, for the six months to 30th September 2021 our performance has been broadly in line with expectations. There were 890k registrations over the period, and 2.99m renewals. The Registry price promotions, which commenced in September, were open to all members and were well received. The resilience of our infrastructure was maintained, with DNS uptime remaining at 100%. At the same time, we have invested in future capabilities, and the registry development programme and infrastructure transformation programme are gearing up, with £3.7m spent.

This update includes an overview of the financial performance of the different business units. The Cyber business delivered the Australian PDNS solution towards the end of the reporting period, which has positively affected the drive to profitability in FY24. The disposal process for CyGlass has commenced and is still ongoing.

Public benefit spend was £2m overall, on projects such as our Countering Online Harm Fund working with the Internet Watch Foundation and National Crime Agency, supporting the Scouts to develop their volunteers' digital skills and creating our first Digital Youth Index. A further £3.4m spend is anticipated in the second half of the year. In addition, we have also made multi-year commitments to support the UK Safer Internet Centre and the Institute of Coding, funded from our reserves. The first tranche of UK Safer Internet Centre funding, £350k, will be made shortly. The Institute of Coding is working with us on a long-term programme to increase the diversity of those in the sector, scheduled for launch in FY23.

Over the six-month period, our investment reserves grew to c£117m, a level that will begin to drop significantly in line with our commitments over the next three years.

I envisage the contents of this report will evolve over time and would welcome comments from members on how we might develop it.



ANDY GREEN CBE
NOMINET CHAIR

Key figures

For the six months ended 30 September 2021



PUBLIC BENEFIT
SPEND



DOMAINS UNDER
MANAGEMENT
.UK FAMILY



DNS UP TIME



NOMINET

Financial results

For the six months ended 30 September 2021

£m	September 6 Months	
	Actual	Variance to Prior Year
Registry Solutions	21.1	1.2
Nominet Cyber	6.3	2.9
CyGlass	0.1	0.0
Revenue	27.5	4.1
Costs	(20.5)	(2.1)
Surplus (before depreciation)	7.0	2.0
Surplus % (before depreciation)	25.3%	3.8%
Surplus by Business Unit		
Registry Solutions	9.4	(0.5)
Nominet Cyber	(0.5)	2.1
CyGlass	(1.9)	0.4
Surplus (before depreciation)	7.0	2.0
Depreciation	(2.0)	(0.7)
Public Benefit	(2.0)	(1.8)
Currency Gains (Losses)	0.2	0.5
Surplus	3.2	0.0
Surplus %	11.6%	(2.2%)
Investment Income	10.5	(5.0)
Tax	(1.5)	1.2
Net surplus	12.1	(3.8)

Notes

For the variance columns against prior year:

Positive variance value = higher revenue or lower cost

Negative variance value = lower revenue or higher cost

Note: the financial information presented is unaudited

PUBLIC BENEFIT

- First half of any financial year is traditionally the planning and partner development phase for Public Benefit activity – however, for the first six months of FY22 spend was £2.0m
- Public Benefit spend in-line with expectations. Further uplift to deliver against total external commitments expected in second half of financial year

REGISTRY

- Stable Registry performance
- Positive impact during September with recent Registry promotions programme. Year to date new registrations slightly below expectations overall but second half will benefit from October and November promotion volumes
- Year on year higher technical staff investment to drive programmes
- Registry Development Programme (RDP) shaping and project work now scaling up
- High degree of focus developing the detailed project planning for the various phases and components of the Technical Transformation Programme (TTP)

NOMINET CYBER

- Loss for first six months lower than previous indications given but this first half benefits from certain new contract set up revenues
- Significant Cyber year on year uplift reflecting business growth with Australian PDNS contract setup revenues delivered at the end of the first half, Public Sector Network contract revenue and higher UK PDNS run rate following contract uplift

CYGLASS

- CyGlass large new business contracts signed with run rate currently at \$0.8m annualised recurring revenue. Business is loss making during its investment phase to grow revenue
- CyGlass disposal process on going with prospective purchaser engagement following the July/August holiday period

OTHER

- Investment income reflects significant unrealised investment portfolio gains from market growth. High prior year comparative income is not representative given the prior year timing of March 2020 Covid driven market dip



NOMINET

Assets & cash flow

Assets at 30 September 2021, cashflow for the six months ended 30 September 2021

£118.5m

NET ASSETS

- Strengthened balance sheet with net assets of £118.5m by half year driven largely by market growth in the investment portfolio

£3.7m

**CAPITAL EXPENDITURE
AND PROJECT
RESOURCE COST**

- TTP project spend includes both infrastructure capital expenditure and resource cost for project team activities
- Overall capital investment for all Nominet areas, £1.1m for the year to date with further TTP capital expenditure anticipated in the second half of the year

£117.0m

**INVESTMENT
PORTFOLIO VALUE**

- Investment portfolio unrealised gains to date deliver growth in the portfolio but global financial markets remain volatile with inflation and new Covid variant fears

£3.0m

NET CASH FLOW

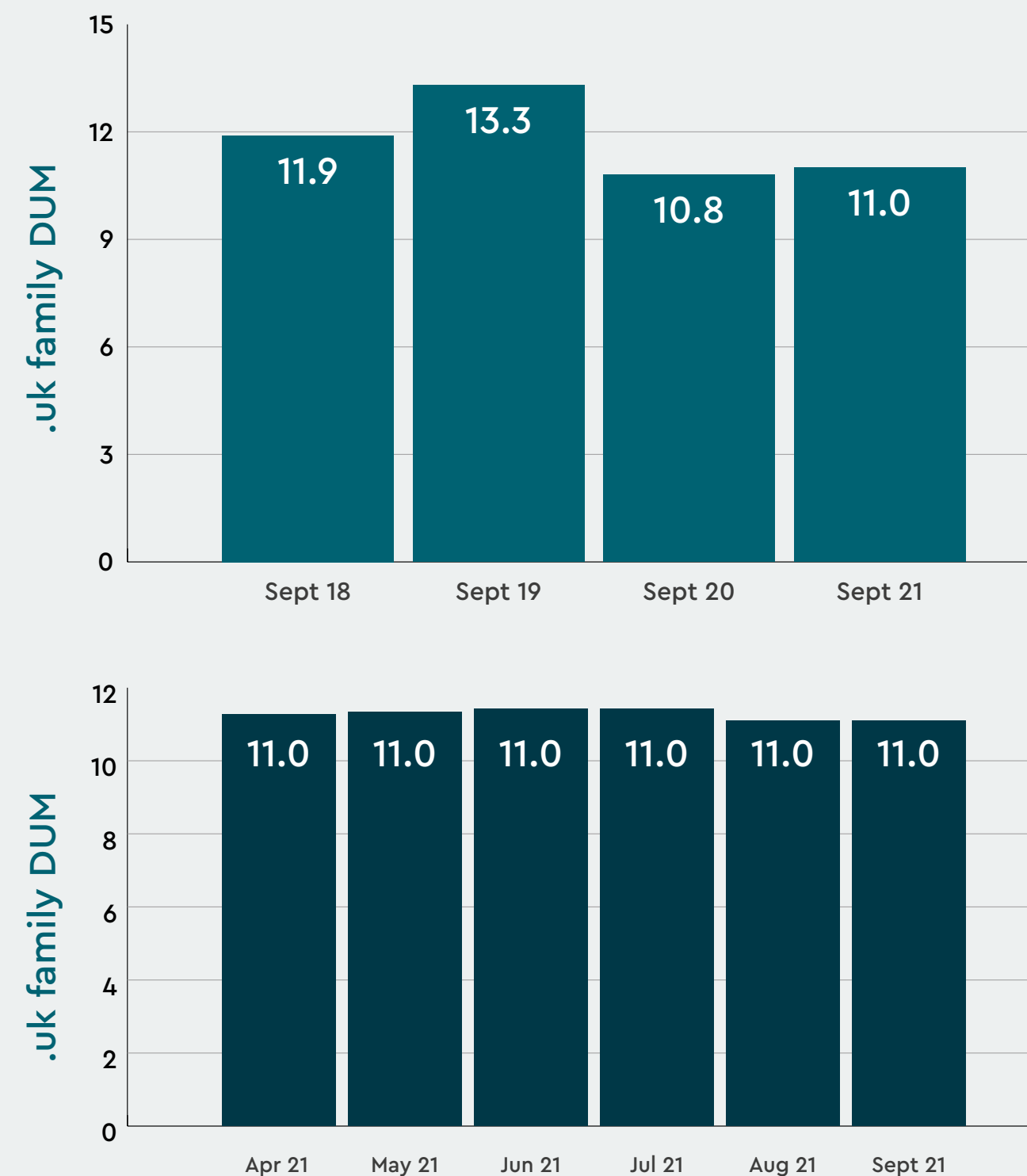
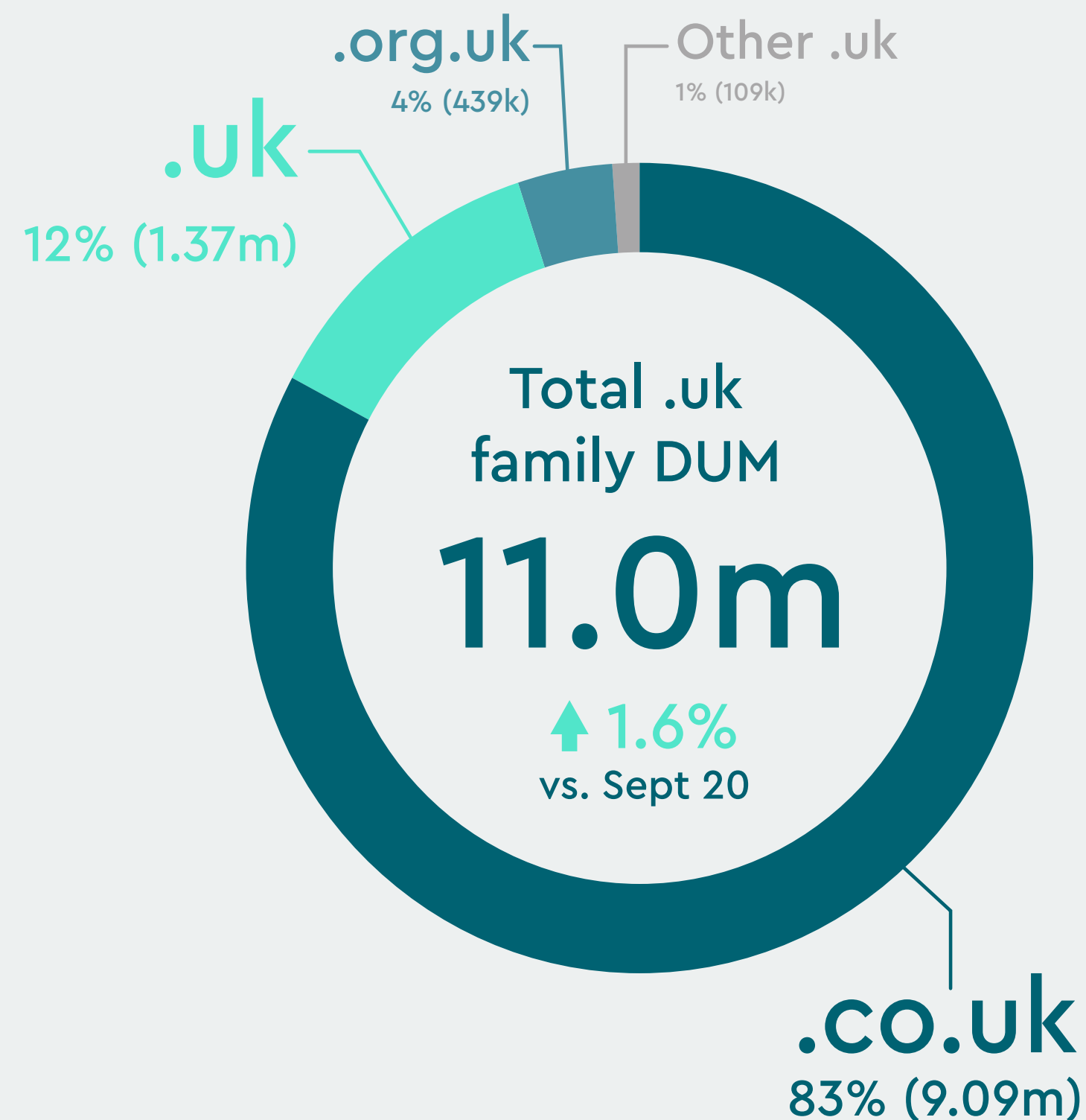
- Project resource cost for the year to date of £2.7m reflects investment in RDP/TTP project team resources and PDNS solutions
- Net cash flow includes £1.0m transfer from investment portfolio

Note: the financial information presented is unaudited



NOMINET

Registry .uk family DUM and trends



- Promotion campaign commenced September 2021 – promotional registrations and renewal volumes are strong
 - £1 for 1st year of a .UK registration
 - £2.50 for a 2 year .UK registration
 - £2.50 for a 2 year .UK renewal
- Stable DUM at 11m following the flow through of the Right of Registrations promotional domains
- Registry has benefited from Covid impact driving the importance of businesses being on line
- For six months to 30 September 2021
 - Registrations 0.89m
 - Renewals 2.99m

Public benefit

RECIPIENTS OF FUNDING IN FY22 INCLUDE:

- Samaritans
- Scouts
- Open UK
- Countering Online Harm Fund (National Crime agency)
- Internet watch foundation
- This is How
- Diana Award Anti-bullying campaign
- 01 Founders
- Tech Talent charter

GIVE HUB CHARITIES NOMINATED BY MEMBERS

National Association of Youth Theatres

Modernise website to better support their members.

Deri Regeneration Group

Funding replacement IT facilities to support home schooling, further education and path to employment.

Katherine Low Settlement Ltd

Funding for a digital inclusion worker to help older people lead more digital lives.

The Calm Trust

Providing devices for children being treated for cancer or leukaemia; helping those isolating at home and those undergoing treatment in hospital.

Caius House

Digital equipment for a community hub providing stigma-free, open access for 8-21 year olds in Wandsworth.

RESERVES FUNDS COMMITTED

Institute of Coding

c£12m allocated over 3 years.

A significant multiyear national programme to address the UK's digital skills gap, with a particular focus on widening participation.

UK Safer Internet Centre

£5.2m over 3 years, with initial funding of £350k in FY22. This secures the future of the helplines and advice year-round, and the activities around Safer Internet Day, which reached over 3 million young people last year.